

**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

March 19, 2015

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Union County, Iowa.

The County had local tax revenue of \$18,322,235 for the year ended June 30, 2014, which included \$902,454 in tax credits from the state. The County forwarded \$12,458,320 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,863,915 of the local tax revenue to finance County operations, a 2.0% decrease from the prior year. Other revenues included charges for service of \$959,857, operating grants, contributions and restricted interest of \$4,337,969, local option sales tax of \$485,770, unrestricted investment earnings of \$14,452 and other general revenues of \$317,557.

Expenses for County operations for the year ended June 30, 2014 totaled \$11,346,266, a 19.4% increase over the prior year. Expenses included \$4,073,321 for roads and transportation, \$2,556,847 for county environment and education and \$1,649,540 for public safety and legal services.

The increase in revenues and expenses is due primarily to the receipt and subsequent disbursement of Community Development Block grant proceeds to various cities.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Office of Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0088-B00F.pdf>.

# # #



**UNION COUNTY**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2014**

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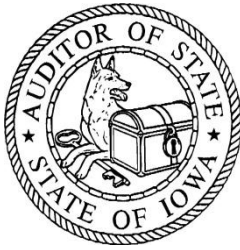
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## **Union County**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Riley	Board of Supervisors	Jan 2015
Dennis Brown	Board of Supervisors	Jan 2017
Lois Monday	Board of Supervisors	Jan 2017
Sandy Hysell	County Auditor	Jan 2017
Kelly Busch	County Treasurer	Jan 2015
Paula White	County Recorder	Jan 2015
Rick L. Piel	County Sheriff	Jan 2017
Timothy R. Kenyon	County Attorney	Jan 2015
Steven Gene Haner	County Assessor	Jan 2016

**Union County**



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Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Union County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Union County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2013 and for the year ended June 30, 2005 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the four years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2015 on our consideration of Union County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Union County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 5, 2015

**Union County**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Union County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014 along with comparative data for the year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 13.1%, or approximately \$1,386,000, from fiscal year 2013 to fiscal year 2014. Property and other county tax decreased approximately \$141,000 from fiscal year 2013. Operating grants, contributions and restricted interest increased approximately \$1,366,000 and charges for service increased approximately \$213,000.
- Program expenses of the County's governmental activities increased 19.4%, or approximately \$1,840,000. The largest increase was in the county environment and education function, which increased approximately \$2,091,000 in fiscal year 2014 from fiscal year 2013.
- The County's net position increased approximately \$633,000 from June 30, 2013 to June 30, 2014.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Union County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Union County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Union County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES:**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, liabilities and deferred inflows of resources, with the difference reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) The proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the county's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. The fiduciary funds include Agency Funds that account for the Prairie Solid Waste Agency and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis below shows the changes in the net position of governmental activities from a year ago.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 11,469	11,512
Capital assets	14,085	14,230
Total assets	25,554	25,742
Long-term liabilities	10,045	10,735
Other liabilities	1,371	1,351
Total liabilities	11,416	12,086
Deferred inflows of resources	5,397	5,548
Net position:		
Net investment in capital assets	5,893	5,376
Restricted	1,891	1,915
Unrestricted	957	817
Total net position	\$ 8,741	8,108

Net position of Union County's governmental activities increased 7.8%, or approximately \$633,000, during the year. A portion of the County's net position is invested in capital assets (i.e. land, buildings, infrastructure and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from \$816,787 at June 30, 2013 to \$957,110 at the end of this year due, in part, to an increase in property tax revenue.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 960	747
Operating grants, contributions and restricted interest	4,338	2,972
General revenues:		
Property and other county tax	5,303	5,444
Tax increment financing	286	298
Penalty and interest on property tax	53	72
State tax credits	275	245
Local option sales tax	486	516
Unrestricted investment earnings	14	2
Gain on disposition of capital assets	79	40
Other general revenues	185	257
Total revenues	11,979	10,593
Program expenses:		
Public safety and legal services	1,650	1,534
Physical health and social services	440	490
Mental health	702	879
County environment and education	2,557	466
Roads and transportation	4,073	4,160
Governmental services to residents	338	458
Administration	1,080	1,001
Non-program	102	73
Interest on long-term debt	404	445
Total expenses	11,346	9,506
Change in net position	633	1,087
Net position beginning of year	8,108	7,021
Net position end of year	\$ 8,741	8,108

Overall, revenues increased approximately \$1,386,000, or 13.1%, during the year. The increase is primarily due to an increase in Community Development Block Grant (CDBG) funds received in fiscal year 2014.

The cost of all governmental activities this year was approximately \$11.3 million compared to approximately \$9.5 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$6.0 million because some of the cost was paid by those directly benefited from the programs (\$959,857) or by other governments and organizations which subsidized certain programs with grants and contributions (\$4,337,969). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$3,719,000 to approximately \$5,298,000, principally due to receiving CDBG funds which were passed through the County from the Iowa Economic Development Authority to various cities for CDBG projects. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general revenues.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Union County completed the year, its governmental funds reported a combined fund balance of \$4,333,658 compared to \$4,340,658 at June 30, 2013, a decrease of \$7,000.

- The General Fund, the operating fund for Union County, ended fiscal year 2014 with a balance of \$1,355,903, an increase of \$270,526 over the fiscal year 2013 ending balance of \$1,085,377. The increase in fund balance is due to revenues continuing to exceed expenditures.
- The County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund balance at year-end decreased \$63,863, from a fund balance of \$61,690 to a deficit balance of \$2,173. In fiscal year 2014, the County saw a significant decrease in mental health revenues as a result of the County receiving one time mental health transition funds in fiscal year 2013 which were not received in fiscal year 2014.
- The Special Revenue, Rural Services Fund ending fund balance increased \$61,805, or 47.4%, from the prior year to \$192,072. The increase in fund balance was the result of a decrease in operating transfers to the Special Revenue, Secondary Roads Fund.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2014 with a \$578,267 fund balance, a decrease of \$252,585 compared to the prior year ending fund balance of \$830,852. Revenues decreased due, in part, to not receiving bridge replacement funds which were received in the prior year. Expenditures increased less than 2%.
- The Debt Service Fund balance increased slightly from \$1,731,432 at the end of fiscal year 2013 to \$1,744,553 at the end of fiscal year 2014. The fund balance increased as a result of a decrease in debt service payments of approximately \$70,000. The fund balance includes \$1,022,531 due from Prairie Solid Waste Agency to repay the County for general obligation solid waste disposal notes issued for the Agency.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Union County amended its budget three times. The amendments were made in December 2013, March 2014 and May 2014 and resulted in an increase in budgeted disbursements, primarily due to an increase for the pass through of CDBG proceeds.

The County's receipts were \$650,604 less than budgeted, a variance of 5.5%. The most significant variance resulted from intergovernmental revenues being far less than expected.

Total disbursements were \$631,515 less than the amended budget. The most significant variances resulted from county environment and education disbursements being far less than expected. The County had budgeted to receive a significant amount of CDBG funds. However, a significant portion of the funds were not received until after June 30, 2014.

The County's disbursements exceeded the amount budgeted for the mental health and capital projects functions.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, Union County had approximately \$14.1 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$145,000, or 1.0%, from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2014	2013
Land	\$ 254	254
Buildings	587	550
Improvements other than buildings	22	24
Equipment and vehicles	1,740	1,320
Infrastructure	11,482	12,082
Total	\$ 14,085	14,230

This year's major additions were Secondary Roads Department equipment costing \$744,168.

Union County had depreciation expense of \$1,059,779 for fiscal year 2014 and total accumulated depreciation of \$7,736,415 at June 30, 2014. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2014, Union County had approximately \$9,297,000 of general obligation bonds, notes and other debt outstanding, compared to approximately \$10,024,000 at June 30, 2013, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
Capital lease purchase agreements	\$ 502	96
General obligation bonds	7,655	8,713
General obligation notes	35	45
General obligation solid waste disposal notes	1,105	1,170
Total	\$ 9,297	10,024

In fiscal year 2014, the County entered into three capital lease purchase agreements. Principal paid on general obligation bonds and notes totaled \$1,132,720 during the year ended June 30, 2014. Principal payments made in fiscal year 2014 on the capital lease purchase agreements totaled \$69,949.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Union County's constitutional debt limit is approximately \$39 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Union County's elected officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.2% versus 3.6% a year ago. This compares with the State's unemployment rate of 4.43% and the national rate of 5.8%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$12.8 million, a decrease of 2% from the final fiscal year 2014 budget. The property tax rate for urban areas declined from \$10.10774 per \$1,000 of taxable valuation to \$9.96302 per \$1,000 of taxable valuation for fiscal year 2015. The property tax rates in rural areas declined from \$13.79575 per \$1,000 of taxable valuation to \$13.71302 per \$1,000 of taxable valuation. The County is working to lower its debt and tax rates.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Union County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Union County Auditor's Office, 300 N. Pine, Creston, Iowa 50801.

**Union County**

## **Basic Financial Statements**

**Exhibit A**

Union County  
Statement of Net Position  
June 30, 2014

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 3,598,479
Cash held by health plan trustee	30,916
Receivables:	
Property tax:	
Delinquent	20,612
Succeeding year	5,397,000
Interest and penalty on property tax	62,968
Loan	1,022,531
Accounts	21,942
Accrued interest	24
Due from other governments	1,059,547
Inventories	169,651
Prepaid expense	85,702
Capital assets, net of accumulated depreciation	14,084,629
<b>Total assets</b>	<b>25,554,001</b>
<b>Liabilities</b>	
Accounts payable	176,269
Accrued interest payable	29,807
Salaries and benefits payable	43,202
Due to other governments	1,121,547
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	141,140
General obligation bonds	1,065,000
General obligation notes	10,000
General obligation solid waste disposal notes	65,000
Compensated absences	102,960
Portion due or payable after one year:	
Capital lease purchase agreements	360,616
General obligation bonds	6,590,000
General obligation notes	25,000
General obligation solid waste disposal notes	1,040,000
Compensated absences	74,428
Net OPEB liability	571,000
<b>Total liabilities</b>	<b>11,415,969</b>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	5,397,000
<b>Net Position</b>	
Net investment in capital assets	5,892,873
Restricted for:	
Supplemental levy purposes	331,543
Mental health	315
Rural services purposes	193,471
Secondary roads purposes	251,542
Debt service	614,230
Other purposes	499,948
Unrestricted	957,110
<b>Total net position</b>	<b>\$ 8,741,032</b>

See notes to financial statements.

Union County  
Statement of Activities  
Year ended June 30, 2014

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
	Expenses			
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 1,649,540	84,730	31,468	(1,533,342)
Physical health and social services	439,930	39,200	158,056	(242,674)
Mental health	702,457	19,980	24,314	(658,163)
County environment and education	2,556,847	195,263	2,000,322	(361,262)
Roads and transportation	4,073,321	112,560	2,051,002	(1,909,759)
Governmental services to residents	338,516	255,296	-	(83,220)
Administration	1,080,141	144,959	23,083	(912,099)
Non-program	101,528	107,869	-	6,341
Interest on long-term debt	403,986	-	49,724	(354,262)
<b>Total</b>	<b>\$ 11,346,266</b>	<b>959,857</b>	<b>4,337,969</b>	<b>(6,048,440)</b>
<b>General Revenues:</b>				
Property and other county tax levied for:				
General purposes				4,230,934
Debt service				1,072,328
Tax increment financing				285,864
Penalty and interest on property tax				53,624
State tax credits				274,789
Local option sales tax				485,770
Unrestricted investment earnings				14,452
Gain on disposition of capital assets				78,850
Miscellaneous				185,083
Total general revenues				6,681,694
Change in net position				633,254
Net position beginning of year				8,107,778
Net position end of year				<u>\$ 8,741,032</u>
See notes to financial statements.				

Union County  
Balance Sheet  
Governmental Funds

June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash, pooled investments and cash equivalents	\$ 1,331,772	391,258	182,619	307,214
Receivables:				
Property tax:				
Delinquent	12,241	2,488	1,400	-
Succeeding year	2,774,000	563,000	861,000	-
Interest and penalty on property tax	62,968	-	-	-
Loan	-	-	-	-
Accounts	21,502	-	-	-
Due from other governments	840,984	-	27,999	190,564
Inventories	-	-	-	169,651
<b>Total assets</b>	<b>\$ 5,043,467</b>	<b>956,746</b>	<b>1,073,018</b>	<b>667,429</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 41,228	54,137	11,174	68,206
Salaries and benefits payable	15,016	-	7,326	20,860
Due to other governments	782,111	339,294	46	96
Total liabilities	<b>838,355</b>	<b>393,431</b>	<b>18,546</b>	<b>89,162</b>
Deferred Inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,774,000	563,000	861,000	-
Other	75,209	2,488	1,400	-
Total deferred inflows of resources	<b>2,849,209</b>	<b>565,488</b>	<b>862,400</b>	<b>-</b>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	169,651
Restricted for:				
Supplemental levy purposes	327,732	-	-	-
Rural services purposes	-	-	192,072	-
Secondary roads purposes	-	-	-	408,616
Debt service	-	-	-	-
Conservation land acquisition/ capital improvements	34,912	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Care facility	7,496	-	-	-
Commissary	4,924	-	-	-
Inmate medical	61,077	-	-	-
Unassigned	919,762	(2,173)	-	-
Total fund balances	<b>1,355,903</b>	<b>(2,173)</b>	<b>192,072</b>	<b>578,267</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,043,467</b>	<b>956,746</b>	<b>1,073,018</b>	<b>667,429</b>

See notes to financial statements.

Debt Service	Nonmajor	Total
721,996	466,146	3,401,005
4,483	-	20,612
913,000	286,000	5,397,000
-	-	62,968
1,022,531	-	1,022,531
26	414	21,942
-	-	1,059,547
-	-	169,651
2,662,036	752,560	11,155,256
-	1,524	176,269
-	-	43,202
-	-	1,121,547
-	1,524	1,341,018
913,000	286,000	5,397,000
4,483	-	83,580
917,483	286,000	5,480,580
-	-	169,651
-	-	327,732
-	-	192,072
-	-	408,616
1,744,553	-	1,744,553
-	-	34,912
-	465,036	465,036
-	-	7,496
-	-	4,924
-	-	61,077
-	-	917,589
1,744,553	465,036	4,333,658
2,662,036	752,560	11,155,256

**Union County**



Union County  
Reconciliation of the Balance Sheet –  
Governmental Funds to the Statement of Net Position

June 30, 2014

**Total governmental fund balances (page 21)** \$ 4,333,658

***Amounts reported for governmental activities in the Statement of Net Position are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$21,821,044 and the accumulated depreciation is \$7,736,415. 14,084,629

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 83,580

The Internal Service Fund is used by management to charge the cost of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 314,116

Long-term liabilities, including capital lease purchase agreements payable, bonds and notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (10,074,951)

**Net position of governmental activities (page 18)** \$ 8,741,032

See notes to financial statements.

Union County  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2014

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,776,351	564,301	890,009	-
Local option sales tax	97,154	-	145,731	242,885
Tax increment financing	-	-	-	-
Interest and penalty on property tax	56,498	-	-	-
Intergovernmental	2,345,415	54,313	110,688	2,053,037
Licenses and permits	1,725	-	10,720	2,365
Charges for service	480,020	-	350	25,097
Use of money and property	48,875	-	-	-
Miscellaneous	192,982	19,980	-	83,063
Total revenues	5,999,020	638,594	1,157,498	2,406,447
Expenditures:				
Operating:				
Public safety and legal services	1,462,036	-	129,799	-
Physical health and social services	319,775	-	104,731	-
Mental health	-	702,457	-	-
County environment and education	2,373,564	-	190,816	-
Roads and transportation	-	-	205,238	3,490,289
Governmental services to residents	432,343	-	-	-
Administration	1,023,940	-	-	-
Capital projects	-	-	-	190,374
Debt service	-	-	-	-
Total expenditures	5,611,658	702,457	630,584	3,680,663
Excess (deficiency) of revenues over (under) expenditures	387,362	(63,863)	526,914	(1,274,216)
Other financing sources (uses):				
Sale of capital assets	-	-	-	11,564
Transfers in	-	-	-	643,015
Transfers out	(116,836)	-	(573,667)	-
Capital lease purchase agreements	-	-	108,558	367,052
Total other financing sources (uses)	(116,836)	-	(465,109)	1,021,631
Change in fund balances	270,526	(63,863)	61,805	(252,585)
Fund balances beginning of year	1,085,377	61,690	130,267	830,852
Fund balances end of year	\$ 1,355,903	(2,173)	192,072	578,267

See notes to financial statements.

Debt Service	Nonmajor	Total
1,072,328	-	5,302,989
-	-	485,770
-	285,865	285,865
-	-	56,498
105,290	13,822	4,682,565
-	-	14,810
-	2,828	508,295
387	2,220	51,482
111,102	-	407,127
1,289,107	304,735	11,795,401
-	14,001	1,605,836
-	6,198	430,704
-	-	702,457
-	1,661	2,566,041
-	-	3,695,527
-	1,524	433,867
-	-	1,023,940
-	101,390	291,764
1,275,986	263,453	1,539,439
1,275,986	388,227	12,289,575
13,121	(83,492)	(494,174)
-	-	11,564
-	55,126	698,141
-	(7,638)	(698,141)
-	-	475,610
-	47,488	487,174
13,121	(36,004)	(7,000)
1,731,432	501,040	4,340,658
1,744,553	465,036	4,333,658

Union County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances –  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2014

**Change in fund balances - Total governmental funds (page 25)** \$ (7,000)

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 846,912	
Depreciation expense	<u>(1,059,779)</u>	(212,867)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		67,286
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Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	273	
Other	<u>(2,879)</u>	(2,606)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceed issuances, as follows:

Issued	(475,610)	
Repaid	<u>1,202,669</u>	727,059

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(8,678)	
Other postemployment benefits	(29,000)	
Interest on long-term debt	<u>2,732</u>	(34,946)

The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.		<u>96,328</u>
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<b>Change in net position of governmental activities (page 19)</b>		<u><u>\$ 633,254</u></u>
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See notes to financial statements.

Union County  
Statement of Net Position  
Proprietary Fund  
June 30, 2014

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 197,474
Cash held by health plan trustee	30,916
Accrued interest receivable	24
Prepaid expense	<u>85,702</u>
<b>Total assets</b>	314,116
<b>Liabilities</b>	
Accounts payable	<u>-</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$ 314,116</u></u>

See notes to financial statements.

Union County  
Statement of Revenues, Expenses and  
Changes in Fund Net Position  
Proprietary Fund

Year ended June 30, 2014

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 977,935
Reimbursements from employees and others	<u>41,115</u>
Total operating revenues	1,019,050
Operating expenses:	
Insurance premiums	<u>922,982</u>
Operating income	96,068
Non-operating revenues:	
Interest income	<u>260</u>
Net income	96,328
Net position beginning of year	<u>217,788</u>
Net position end of year	<u><u>\$ 314,116</u></u>
See notes to financial statements.	

Union County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2014

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,019,050
Cash paid to suppliers for services	(1,092,067)
Net cash used by operating activities	<u>(73,017)</u>
Cash flows from investing activities:	
Interest on investments	<u>262</u>
Net decrease in cash and cash equivalents	(72,755)
Cash and cash equivalents beginning of year	<u>301,145</u>
Cash and cash equivalents end of year	<u><u>\$ 228,390</u></u>
<b>Reconciliation of operating income to net cash used by operating activities:</b>	
Operating income	\$ 96,068
Adjustments to reconcile operating income to net cash used by operating activities:	
Increase in prepaid expense	(85,702)
Decrease in accounts payable	(83,383)
Net cash used by operating activities	<u><u>\$ (73,017)</u></u>
See notes to financial statements.	

Union County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2014

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,855,315
Other County officials	54,805

Receivables:

Property tax:

Delinquent	56,984
Succeeding year	11,854,000

Accounts	789
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Special assessments	23,145
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Due from other governments	45,750
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<b>Total assets</b>	<u>13,890,788</u>
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**Liabilities**

Accounts payable	65,549
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Salaries and benefits payable	3,307
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Due to other governments	13,731,873
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Trusts payable	76,324
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Compensated absences	13,735
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<b>Total liabilities</b>	<u>13,890,788</u>
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**Net position**

<u>\$ -</u>
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See notes to financial statements.



Union County  
Notes to Financial Statements  
June 30, 2014

**(1) Summary of Significant Accounting Policies**

Union County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Union County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Union County Assessor's Conference Board and Union County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency, Creston-Union Law Enforcement Commission, South Central Iowa Regional E911 Service Board and Union County Development Association.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Service Fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment and vehicles	2 - 20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future insurance premiums of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the mental health and capital projects functions. In addition, disbursements in certain departments exceeded the amounts appropriated.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 76,348
	Special Revenue:	
	Rural Services	566,667
Flood and Erosion	Rural Services	7,000
Capital Projects	General	40,488
	Special Revenue:	
	Resource Enhancement and Protection	7,638
Total		<u>\$ 698,141</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 253,619	-	-	253,619
Capital assets being depreciated:				
Buildings	2,043,681	71,785	-	2,115,466
Improvements other than buildings	48,202	-	-	48,202
Equipment and vehicles	4,169,732	940,638	481,747	4,628,623
Infrastructure, road network	14,775,134	-	-	14,775,134
Total capital assets being depreciated	21,036,749	1,012,423	481,747	21,567,425
Less accumulated depreciation for:				
Buildings	1,494,004	35,065	-	1,529,069
Improvements other than buildings	23,597	2,359	-	25,956
Equipment and vehicles	2,849,460	422,686	383,522	2,888,624
Infrastructure, road network	2,693,097	599,669	-	3,292,766
Total accumulated depreciation	7,060,158	1,059,779	383,522	7,736,415
Total capital assets being depreciated, net	13,976,591	(47,356)	98,225	13,831,010
Governmental activities capital assets, net	<u>\$ 14,230,210</u>	<u>(47,356)</u>	<u>98,225</u>	<u>14,084,629</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 75,605
Physical health and social services	9,177
County environment and education	16,348
Roads and transportation	900,353
Administration	58,296
Total depreciation expense - governmental activities	<u>\$ 1,059,779</u>



**(5) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 782,111
Special Revenue:		
Mental Health	Services	339,294
Rural Services		46
Secondary Roads		96
Total for governmental funds		<u>\$ 1,121,547</u>
Agency:		
County Assessor	Collections	\$ 342,465
County Hospital		1,098,293
Schools		6,703,238
Community Colleges		341,992
Corporations		3,359,157
Townships		184,697
Auto License and Use Tax		291,560
Prairie Solid Waste		1,021,603
All other		388,868
Total for agency funds		<u>\$ 13,731,873</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Capital Lease Purchase Agreements	General Obligation Bonds	General Obligation Notes	General Obligation Solid Waste Disposal Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 96,095	8,712,720	45,000	1,170,000	168,710	542,000	10,734,525
Increases	475,610	-	-	-	167,389	39,000	681,999
Decreases	69,949	1,057,720	10,000	65,000	158,711	10,000	1,371,380
Balance end of year	<u>\$ 501,756</u>	<u>7,655,000</u>	<u>35,000</u>	<u>1,105,000</u>	<u>177,388</u>	<u>571,000</u>	<u>10,045,144</u>
Due within one year	<u>\$ 141,140</u>	<u>1,065,000</u>	<u>10,000</u>	<u>65,000</u>	<u>102,960</u>	<u>-</u>	<u>1,384,100</u>

The cost and accumulated depreciation at June 30, 2014 related to the motor graders and tractors acquired under capital lease purchase agreements were \$835,547 and \$119,778, respectively.

### Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a John Deere motor grader, two Caterpillar motor graders and two tractors with historical costs of \$226,000, \$495,301 and \$114,246, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 2.50% to 3.95% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2014:

Year Ending June 30,	Motor Graders	Tractors	Total
2015	\$128,630	22,849	151,479
2016	79,475	22,849	102,324
2017	79,475	22,849	102,324
2018	79,475	22,849	102,324
2019	79,478	-	79,478
Total minimum lease payments	446,533	91,396	537,929
Less amount representing interest	30,486	5,687	36,173
Present value of net minimum lease payments	\$ 416,047	85,709	501,756

Payments under the capital lease purchase agreements totaled \$72,004 for the year ended June 30, 2014.

### General Obligation Bonds

A summary of the County's June 30, 2014 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Roads and Bridges			Roads, Bridges and Litigation		
	Issued October 16, 2009			Issued September 29, 2010		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	4.40%	\$ 285,000	163,908	1.75%	\$ 265,000	81,798
2016	4.80	290,000	151,368	2.00	265,000	77,160
2017	5.20	300,000	137,448	2.20	270,000	71,860
2018	5.50	315,000	121,847	2.50	275,000	65,920
2019	5.75	320,000	104,523	2.70	285,000	59,045
2020-2024	6.00 - 6.40	1,385,000	221,190	2.90 - 3.40	1,610,000	161,845
Total		\$ 2,895,000	900,284		\$ 2,970,000	517,628

Year Ending June 30,	Roads and Refunding			Total		
	Issued June 29, 2011					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	2.00%	\$ 515,000	36,955	1,065,000	282,661	1,347,661
2016	2.00	525,000	26,655	1,080,000	255,183	1,335,183
2017	2.00	535,000	16,155	1,105,000	225,463	1,330,463
2018	2.00	50,000	5,455	640,000	193,222	833,222
2019	2.40	55,000	4,455	660,000	168,023	828,023
2020-2024	2.70 - 3.00	110,000	4,785	3,105,000	387,820	3,492,820
Total		\$ 1,790,000	94,460	7,655,000	1,512,372	9,167,372

During the year ended June 30, 2014, the County retired \$1,057,720 of general obligation bonds.

### General Obligation Notes

A summary of the County's June 30, 2014 general obligation note indebtedness is as follows:

Year Ending June 30,	Capital Projects and Vehicle Purchases			
	Issued May 1, 2007			
	Interest Rates	Principal	Interest	Total
2015	4.10%	\$ 10,000	1,455	11,455
2016	4.15	10,000	1,045	11,045
2017	4.20	15,000	630	15,630
Total		\$ 35,000	3,130	38,130

During the year ended June 30, 2014, the County retired \$10,000 of general obligation notes.

### General Obligation Solid Waste Disposal Notes

During the year ended June 30, 2008, the County issued \$1,500,000 of general obligation solid waste disposal notes. The proceeds were forwarded to the Prairie Solid Waste Agency, reported as an Agency Fund of the County. Prairie Solid Waste Agency has agreed to pay the County the principal and interest on the general obligation solid waste disposal notes as they come due. The County reports a loan receivable in the Debt Service Fund equal to the principal outstanding less cash received from the Agency in excess of debt service payments on the general obligation solid waste disposal notes.

A summary of the County's June 30, 2014 general obligation solid waste disposal note indebtedness is as follows:

Year Ending June 30,	Series 2007B			
	Issued July 1, 2007			
	Interest Rates	Principal	Interest	Total
2015	4.100%	\$ 65,000	47,059	112,059
2016	4.150	70,000	44,394	114,394
2017	4.150	70,000	41,489	111,489
2018	4.150	75,000	38,584	113,584
2019	4.200	75,000	35,471	110,471
2020-2024	4.200-4.300	435,000	126,276	561,276
2025-2027	4.300-4.375	315,000	23,188	338,188
Total		\$ 1,105,000	356,461	1,461,461

During the year ended June 30, 2014, the County retired \$65,000 of general obligation solid waste disposal notes.

## **(7) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$257,609, \$236,477 and \$223,048, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug, dental and vision, benefits for employees, retirees and their spouses. There are 64 active and 10 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug, dental and vision coverage, which is a partially self-funded medical plan, is administered by Employee Benefit Programs. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 48,000
Interest on net OPEB obligation	24,000
Adjustment to annual required contribution	<u>(33,000)</u>
Annual OPEB cost	39,000
Contributions made	<u>(10,000)</u>
Increase in net OPEB obligation	29,000
Net OPEB obligation beginning of year	<u>542,000</u>
Net OPEB obligation end of year	<u>\$ 571,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$10,000 to the medical plan. Plan members eligible for benefits contributed \$13,781, or 58% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 200,000	16.0%	\$512,000
2013	40,000	25.0	542,000
2014	39,000	26.0	571,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$350,893, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$350,893. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,537,000 and the ratio of the UAAL to covered payroll was 13.8%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 7.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1.0% each year until reaching the 5% ultimate trend rate. An inflation rate of 3.0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the rates based on Scale T-2 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$850 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

The County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the self-funding of the County's health insurance benefit plan. Beginning July 1, 2011, the County discontinued the self-funding insurance plan and began purchasing commercial insurance. The Fund accounts for the collection of premiums from individuals and departments which are then paid to Employee Benefit Systems for the purchase of health insurance. The cash balance held by Employee Benefits System was \$30,916 at June 30, 2014.

At June 30, 2014, the County had an unrestricted net position of \$314,116 in the Employee Group Health Fund to cover future premium payments.

**(11) Jointly Governed Organization**

Union County participates in the Creston-Union Law Enforcement Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2014:

Additions:

Contributions from governmental units:

Union County	\$ 86,549	
City of Creston	78,059	\$ 164,608
Miscellaneous		<u>2,500</u>
Total additions		167,108

Deductions:

Office supplies	7,093	
Telephone	15,376	
Software upgrades	17,798	
Computer software maintenance	29,086	
Equipment and repair	57,124	
Contractual services	12,492	
Inmate supplies	852	
Janitorial	4,297	
Utilities	34,680	
Sanitation	1,523	
Building improvements	2,341	
Insurance	2,100	
Miscellaneous	<u>2,494</u>	<u>187,256</u>
Net		(20,148)
Balance beginning of year		<u>37,321</u>
Balance end of year		<u><u>\$ 17,173</u></u>

**(12) Deficit Balance**

At June 30, 2014, the Special Revenue, Mental Health Fund had a deficit balance of \$2,173. The County is investigating alternatives to eliminate the deficit.

**(13) Early Childhood Iowa Area Board**

Union County is the fiscal agent for the Quad Counties 4 Kids Early Childhood Area, the Early Childhood Iowa Area Board for Union, Adams, Ringgold and Taylor counties, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2014 is as follows:

	Early Childhood		School	Total
	Federal	State	Ready	
Revenues:				
State grants:				
Early childhood	\$ 5,598	47,282	-	52,880
Family support and parent education	-	-	187,930	187,930
Preschool support for low-income families	-	-	82,515	82,515
Quality improvement	-	-	52,708	52,708
Allocation for administration	-	2,489	10,596	13,085
Other grant programs	-	-	19,773	19,773
Total state grants	5,598	49,771	353,522	408,891
Interest on investments	5	91	511	607
Total revenues	5,603	49,862	354,033	409,498
Expenditures:				
Program services:				
Early childhood	5,603	10,488	-	16,091
Family support and parent education	-	-	183,909	183,909
Preschool support for low income families	-	-	79,637	79,637
Quality improvement	-	32,354	44,836	77,190
Other program services	-	-	18,875	18,875
Total program services	5,603	42,842	327,257	375,702
Administration	-	2,351	12,991	15,342
Total expenditures	5,603	45,193	340,248	391,044
Change in fund balance	-	4,669	13,785	18,454
Fund balance beginning of year	-	-	46,106	46,106
Fund balance end of year	\$ -	4,669	59,891	64,560

Effective July 1, 2013, the Early Childhood Area Boards for Union, Adams, Ringgold and Taylor counties merged to form a single Early Childhood Iowa Area. The beginning of year fund balance was restated due to the consolidation of the Area Boards and for corrections made to the Early Childhood Annual Report to reconcile the report to the County's records.

**(14) Subsequent Events**

In July 2014, the County entered into a contract totaling \$407,006 for a bridge replacement project.

In August 2014, the County entered into a bank loan to borrow \$120,000 to construct a new residence for the Conservation officer. The first of three annual payments will be made beginning August 1, 2015.

**(15) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.



### **Required Supplementary Information**

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Union County  
Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2014

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 6,078,093
Interest and penalty on property tax	56,498
Intergovernmental	3,898,924
Licenses and permits	14,810
Charges for service	500,788
Use of money and property	40,407
Miscellaneous	514,625
Total receipts	<u>11,104,145</u>
Disbursements:	
Public safety and legal services	1,610,074
Physical health and social services	445,402
Mental health	1,273,496
County environment and education	1,692,344
Roads and transportation	3,345,041
Governmental services to residents	448,619
Administration	1,034,796
Debt service	1,539,439
Capital projects	293,371
Total disbursements	<u>11,682,582</u>
Deficiency of receipts under disbursements	(578,437)
Other financing sources, net	<u>11,564</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(566,873)
Balance beginning of year	<u>3,967,878</u>
Balance end of year	<u><u>\$ 3,401,005</u></u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Net Variance
Original	Final	
6,229,656	6,229,656	(151,563)
20,282	20,282	36,216
3,312,233	4,814,768	(915,844)
9,873	9,873	4,937
430,730	430,730	70,058
61,334	61,334	(20,927)
188,106	188,106	326,519
10,252,214	11,754,749	(650,604)
1,680,750	1,681,950	71,876
569,966	569,966	124,564
724,691	724,691	(548,805)
1,140,441	2,640,441	948,097
3,377,855	3,432,555	87,514
457,634	460,869	12,250
975,073	1,068,073	33,277
1,536,145	1,596,445	57,006
94,107	139,107	(154,264)
10,556,662	12,314,097	631,515
(304,448)	(559,348)	(19,089)
10,000	10,000	1,564
(294,448)	(549,348)	(17,525)
1,916,634	1,916,634	2,051,244
1,622,186	1,367,286	2,033,719

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Union County  
Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information  
Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,104,145	691,256	11,795,401
Expenditures	11,682,582	606,993	12,289,575
Net	(578,437)	84,263	(494,174)
Other financing sources, net	11,564	475,610	487,174
Beginning fund balances	3,967,878	372,780	4,340,658
Ending fund balances	\$ 3,401,005	932,653	4,333,658

See accompanying independent auditor's report.

Union County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$1,757,435. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the mental health and capital projects functions. In addition, disbursements in certain departments exceeded the amounts appropriated.

Union County  
Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 1,261	1,261	0.0%	\$ 2,205	57.2%
2011	Jul 1, 2009	-	1,261	1,261	0.0	2,205	57.2
2012	Jul 1, 2009	-	1,261	1,261	0.0	2,205	57.2
2013	Jul 1, 2012	-	351	351	0.0	2,537	13.8
2014	Jul 1, 2012	-	351	351	0.0	2,537	13.8

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

### **Supplementary Information**

Union County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2014

	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management
<b>Assets</b>			
Cash, pooled investments and cash equivalents	\$ 5,563	110,997	18,693
Receivables:			
Succeeding year property tax receivable	-	-	-
Accounts	-	35	285
<b>Total assets</b>	<b>\$ 5,563</b>	<b>111,032</b>	<b>18,978</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	-	1,524
Deferred inflows of resources:			
Succeeding year property tax	-	-	-
Fund balances:			
Restricted for other purposes	5,563	111,032	17,454
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,563</b>	<b>111,032</b>	<b>18,978</b>

See accompanying independent auditor's report.



Special Revenue					
Care Facility Hixinbaugh Trust	Care Facility Hipsley Trust	COOP Urban Renewal	Charitable / Educational	Capital Projects	Total
104,928	8,925	140,898	14,464	61,678	466,146
-	-	286,000	-	-	286,000
33	-	44	-	17	414
104,961	8,925	426,942	14,464	61,695	752,560
-	-	-	-	-	1,524
-	-	286,000	-	-	286,000
104,961	8,925	140,942	14,464	61,695	465,036
104,961	8,925	140,942	14,464	61,695	752,560

Union County  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2014

		County Recorder's Records
	Flood and Erosion	Resource Enhancement and Protection Management
Revenues:		
Tax increment financing	\$ -	-
Intergovernmental	-	13,822
Charges for service	-	2,828
Use of money and property	-	64
Total revenues	-	14,231
Expenditures:		
Operating:		
Public safety and legal services	-	-
Physical health and social services	-	-
County environment and education	1,661	-
Governmental services to residents	-	1,524
Capital projects	-	-
Debt service	-	-
Total expenditures	1,661	1,524
Excess (deficiency) of revenues over (under) expenditures	(1,661)	1,368
Other financing sources (uses):		
Transfers in	7,000	-
Transfers out	-	(7,638)
Total other financing sources (uses)	7,000	-
Change in fund balances	5,339	1,368
Fund balances beginning of year	224	16,086
Fund balances end of year	\$ 5,563	17,454

See accompanying independent auditor's report.

Special Revenue					
Care Facility Hixinbaugh Trust	Care Facility Hipsley Trust	COOP Urban Renewal	Charitable / Educational	Capital Projects	Total
-	-	285,865	-	-	285,865
-	-	-	-	-	13,822
-	-	-	-	-	2,828
361	301	842	-	243	2,220
361	301	286,707	-	243	304,735
-	-	-	14,001	-	14,001
-	6,198	-	-	-	6,198
-	-	-	-	-	1,661
-	-	-	-	-	1,524
-	-	-	-	101,390	101,390
-	-	263,453	-	-	263,453
-	6,198	263,453	14,001	101,390	388,227
361	(5,897)	23,254	(14,001)	(101,147)	(83,492)
-	-	-	-	48,126	55,126
-	-	-	-	-	(7,638)
-	-	-	-	48,126	47,488
361	(5,897)	23,254	(14,001)	(53,021)	(36,004)
104,600	14,822	117,688	28,465	114,716	501,040
104,961	8,925	140,942	14,464	61,695	465,036

Union County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	2,063	77,438	17,472
Other County officials	54,805	-	-	-
Receivables:				
Property tax:				
Delinquent	-	569	1,102	4,821
Succeeding year	-	126,000	282,000	1,076,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 54,805</b>	<b>128,632</b>	<b>360,540</b>	<b>1,098,293</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	11,347	-
Salaries and benefits payable	-	-	437	-
Due to other governments	21,537	128,632	342,465	1,098,293
Trusts payable	33,268	-	-	-
Compensated absences	-	-	6,291	-
<b>Total liabilities</b>	<b>\$ 54,805</b>	<b>128,632</b>	<b>360,540</b>	<b>1,098,293</b>

See accompanying independent auditor's report.

				Auto License and Use Tax		
Schools	Community Colleges	Corporations	Townships		Other	Total
105,220	5,480	56,509	2,389	291,560	1,297,184	1,855,315
-	-	-	-	-	-	54,805
29,018	1,512	19,648	308	-	6	56,984
6,569,000	335,000	3,283,000	182,000	-	1,000	11,854,000
-	-	-	-	-	789	789
-	-	-	-	-	23,145	23,145
-	-	-	-	-	45,750	45,750
6,703,238	341,992	3,359,157	184,697	291,560	1,367,874	13,890,788
-	-	-	-	-	54,202	65,549
-	-	-	-	-	2,870	3,307
6,703,238	341,992	3,359,157	184,697	291,560	1,260,302	13,731,873
-	-	-	-	-	43,056	76,324
-	-	-	-	-	7,444	13,735
6,703,238	341,992	3,359,157	184,697	291,560	1,367,874	13,890,788

Union County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 42,105	131,406	321,948	1,108,994
Additions:				
Property and other county tax	-	126,171	282,967	1,081,556
State tax credits	-	6,865	13,289	58,125
Contract law enforcement	-	-	-	-
Drivers license fees	-	-	-	-
Office fees and collections	213,332	-	344	-
Auto licenses, use tax and postage	-	-	-	-
Solid waste fees	-	-	-	-
Assessments	-	-	-	-
Trusts	20,040	-	-	-
Miscellaneous	-	-	-	-
Total additions	233,372	133,036	296,600	1,139,681
Deductions:				
Agency remittances:				
To other funds	83,734	-	-	-
To other governments	122,999	135,810	258,008	1,150,382
Trusts paid out	13,939	-	-	-
Total deductions	220,672	135,810	258,008	1,150,382
Balances end of year	\$ 54,805	128,632	360,540	1,098,293

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
6,701,070	347,371	3,242,786	183,703	259,455	1,478,459	13,817,297
6,596,975	337,061	3,220,874	183,630	-	1,421	11,830,655
350,347	18,232	171,958	8,773	-	76	627,665
-	-	-	-	-	164,606	164,606
-	-	-	-	91,134	-	91,134
-	-	-	-	-	2,828	216,504
-	-	-	-	3,527,897	-	3,527,897
-	-	-	-	-	1,348,394	1,348,394
-	-	-	-	-	25,156	25,156
-	-	-	-	-	504,456	524,496
-	-	-	-	-	608,149	608,149
6,947,322	355,293	3,392,832	192,403	3,619,031	2,655,086	18,964,656
-	-	-	-	141,227	-	224,961
6,945,154	360,672	3,276,461	191,409	3,445,699	2,765,671	18,652,265
-	-	-	-	-	-	13,939
6,945,154	360,672	3,276,461	191,409	3,586,926	2,765,671	18,891,165
6,703,238	341,992	3,359,157	184,697	291,560	1,367,874	13,890,788

Union County

Schedule of Revenues By Source and Expenditures By Function –  
All Governmental Funds

For the Last Ten Years

		2014	2013	2012
Revenues:				
Property and other county tax	\$	5,302,989	5,440,676	5,376,869
Local option sales tax		485,770	515,784	502,850
Tax increment financing		285,865	297,725	310,545
Interest and penalty on property tax		56,498	60,098	61,773
Intergovernmental		4,682,565	3,473,821	3,968,364
Licenses and permits		14,810	15,258	18,095
Charges for service		508,295	510,127	502,703
Use of money and property		51,482	52,924	135,110
Miscellaneous		407,127	303,343	321,018
Total	\$	11,795,401	10,669,756	11,197,327
Expenditures:				
Operating:				
Public safety and legal services	\$	1,605,836	1,526,248	1,484,649
Physical health and social services		430,704	460,746	434,188
Mental health		702,457	878,989	1,967,367
County environment and education		2,566,041	438,914	716,735
Roads and transportation		3,695,527	3,216,281	3,449,510
Governmental services to residents		433,867	451,160	433,577
Administration		1,023,940	957,327	899,154
Capital projects		291,764	791,975	1,190,972
Debt service		1,539,439	1,691,998	4,546,564
Total	\$	12,289,575	10,413,638	15,122,716

See accompanying independent auditor's report.



Modified Accrual Basis						
2011	2010	2009	2008	2007	2006	2005
5,177,278	4,730,902	4,624,103	4,278,160	3,950,487	3,867,327	3,440,405
486,999	495,017	474,595	458,848	484,851	384,843	-
315,704	310,547	293,218	242,083	224,523	59,614	59,189
58,557	51,457	52,064	41,892	43,384	49,311	68,137
4,432,018	3,629,213	4,741,556	3,140,353	2,379,656	2,431,270	3,071,775
22,890	19,493	20,950	21,125	23,685	18,653	18,918
477,813	436,993	433,511	502,356	425,628	420,238	424,541
194,032	227,601	100,943	135,541	182,316	152,784	107,413
396,255	283,701	120,294	77,319	111,702	107,292	58,245
11,561,546	10,184,924	10,861,234	8,897,677	7,826,232	7,491,332	7,248,623
1,363,225	1,320,323	1,220,634	1,254,085	1,220,990	1,171,759	1,117,032
473,928	479,184	450,182	417,852	283,170	345,669	297,102
1,838,463	1,169,979	1,753,031	1,844,765	1,640,412	1,573,478	1,389,755
1,185,301	615,643	465,943	435,937	364,017	386,967	282,238
4,547,039	4,004,056	2,759,160	3,218,057	2,740,437	2,271,050	2,397,005
398,113	402,881	359,967	399,743	383,077	505,397	332,205
1,583,489	937,510	815,146	926,442	945,591	848,301	795,600
6,386,417	1,032,421	638,392	687,139	238,820	540,593	95,516
1,813,452	1,528,855	808,264	644,425	519,949	518,399	516,781
19,589,427	11,490,852	9,270,719	9,828,445	8,336,463	8,161,613	7,223,234

**Schedule 6**

Union County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 17,374
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grant State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-216 08-DRH-206	1,724,786 250,090
National Highway Traffic Safety Administration:			1,974,876
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State Traffic Safety Information System Improvement Grants	20.610		4,200
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5882BT88	4,880
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566		41
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		5,109
Foster Care_Title IV-E	93.658		6,635
Adoption Assistance	93.659		2,229
State Children's Insurance Program	93.767		71
Medical Assistance Program	93.778		27,756
Social Services Block Grant	93.667		5,444
Social Services Block Grant	93.667		21,975
			27,419
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Hazard Mitigation Grant	97.039		27,137
Emergency Management Performance Grant	97.042		46,735
Total			\$ 2,144,462

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Union County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

**Union County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of Union County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Union County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County's internal control. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-14 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


## Union County's Responses to the Findings


Union County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Union County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Union County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

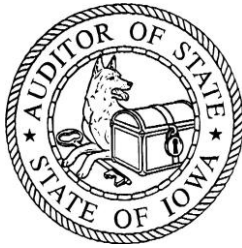
  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 5, 2015

**Independent Auditor's Report on Compliance  
For Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**Union County**





**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Officials of Union County:

Report on Compliance for Each Major Federal Program

We have audited Union County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2014. Union County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Union County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Union County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Union County's compliance.

Opinion on Each Major Federal Program

In our opinion, Union County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

## Report on Internal Control Over Compliance


The management of Union County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Union County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control over compliance.


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist which are not identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as Item III-A-14, we consider to be a significant deficiency.

Union County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Union County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 5, 2015

Union County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was noted, which was not considered to be a material weakness.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Union County did not qualify as a low-risk auditee.

Union County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or more individuals may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Receipts – collecting, depositing, posting and daily reconciling.	Recorder and Treasurer
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	Recorder and Treasurer
(3) Bank reconciliations are reviewed periodically by an independent person for propriety, but there is no evidence of the review being performed.	Treasurer
(4) All employees have access to the change fund.	Recorder and Treasurer

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County officials should review the control procedures of the various offices to obtain the maximum internal control possible under the circumstances and should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

County Treasurer – With a limited number of employees we will use the resources available from other offices to verify the bank account reconciliations by signing and dating documenting the review of bank account reconciliations.

County Recorder – We will have the County Auditor review and initial and date the bank account reconciliation in an effort to strengthen controls.

Conclusions – Responses accepted.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

II-B-14 Credit Cards – The County’s credit card policy states claims for payment of credit card charges shall include a short statement explaining the charges. In addition, signed copies of the credit card slips and itemized receipts are required, as well as original invoices. For one of three credit card statements tested, signatures on the supporting receipt or invoices were not always included. In addition, fifty-three gas station charges were missing signatures.

Recommendation – The County should implement procedures to ensure the claims for credit card payments adhere to the County’s adopted policy.

Response – Each Department will be required to sign its credit card receipts in accordance with Union County’s credit card policy.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 14.228: Community Development Block Grants/State's Program and  
Non-Entitlement Grants in Hawaii**

**Federal Award Year: 2014**

**U.S. Department of Housing and Urban Development**

**Passed through the Iowa Economic Development Authority**

III-A-14      Monitoring – The County entered into an agreement with the Southern Iowa  
(2014-001)      Council of Governments (SICOG) to administer the Community  
Development Block Grant (CDBG) program. This agreement states SICOG  
will identify applicable federal and state laws and regulations and assist in  
complying with federal and state requirements. In addition, the agreement  
states SICOG will monitor and evaluate the project progress to facilitate  
compliance with applicable federal and state laws and regulations.

SICOG monitored the CDBG project to ensure compliance with the  
requirements of the Office of Management and Budget (OMB) A-133  
Compliance Supplement. However, since the County was the primary  
recipient of the CDBG program funds, the County retained responsibility to  
ensure these requirements were met. The County did not maintain  
documentation indicating program requirements were met.

Recommendation – The County should receive and maintain documentation  
to ensure applicable compliance requirements have been met.

Response – Documentation will be maintained in the future to ensure all  
federal compliance requirements are met.

Conclusion – Response accepted.

Union County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted for the mental health and capital project functions.

In addition, disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The County should amend the budget in accordance with Chapter 331.435 of the Code of Iowa before disbursements are allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department, as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The County Auditor will continue to monitor the Department budgets to ensure amendments are done prior to disbursements exceeding either the amounts appropriated or amounts budgeted.

Conclusion – Response accepted.

- IV-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- IV-C-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- IV-D-14 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dennis Brown, member of the Board of Supervisors, Owner of Charlie Brown Auto parts	Purchase of seat, wheel covers and truck radio	\$ 155

The transactions with Charlie Brown Auto Parts do not appear to represent a conflict of interest in accordance with Chapter 331.342(4) of the Code of Iowa since total transactions were less than \$1,500 during the fiscal year.

- IV-E-14 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

- IV-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-14 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

IV-J-14 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

IV-K-14 Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management by December 1.

The County's expenses and ending cash balance of the Special Revenue, Urban Renewal Fund reported on the Levy Authority Summary do not agree with the County's general ledger. Also, the TIF debt outstanding reported on the Levy Authority Summary was not fully supported by the County's records.

Recommendation – The County should ensure the amounts reported on the Levy Authority Summary agree with and are supported by the County's records.

Response – We have taken steps to ensure future reports submitted to the Department of Management will be complete and accurate.

Conclusion – Response accepted.

IV-L-14 Financial Condition – The Special Revenue, Mental Health Fund had a deficit fund balance of \$2,173 at June 30, 2014.

Recommendation – The County should investigate alternatives to eliminate this deficit and return the fund to a sound financial position.

Response – The Special Revenue, Mental Health deficit will be eliminated upon receipt of State funds. In the future, the County will more closely monitor mental health disbursements to ensure adequate funding is available.

Conclusion – Response accepted.

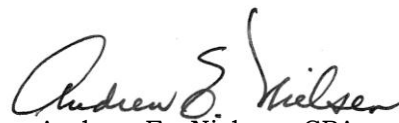


Union County

Staff

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